

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 HEW-04
STR-04 CEA-01 /108 W
-----046768 222141Z /75

R 221709Z JUN 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5423
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION NATO
USNMR SHAPE
USMISSION GENEVA
AMCONSUL BELFAST
AMCONSUL EDINBURGH

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USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY

PASS LABOR, TREASURY' FRB

E.O. 11652: N/A
TAGS: ELAB, UK, PINT
SUBJECT: TUC-GOVERNMENT PAY TALKS FORMALLY OPEN

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REF: LONDON 9560

BEGIN SUMMARY: FORMAL TALKS ON PAY POLICY BETWEEN
CHANCELLOR OF THE EXCHEQUER DENIS HEALEY AND THE TUC
LEADERSHIP BEGAN LAST NIGHT (JUNE 21). THEY WERE IN-
CONCLUSIVE, BUT THE CHANCELLOR APPEARS TO HAVE ACCEPTED
THE TUC'S INSISTENCE AGAINST A "HIGHLY FORMULATED,

HIGHLY STRUCTURED PHASE THREE", AND THE TUC LEADERSHIP, IN TURN, HAS PROMISED TO SEEK BROADER UNION AGREEMENT IN PREVENTING A WAGES EXPLOSION AFTER THE CURRENT PAY ACCORD EXPIRES ON JULY 31. THE CONFEREES ARE CLEARLY AWARE THAT THE SHAPE OF AN AGREEMENT, IF ONE IS TO BE REACHED, MUST AWAIT THE RESULTS OF TWO MAJOR TRADE UNION CONFERENCES IN EARLY JULY -- THE GIANT TRANSPORT AND GENERAL WORKERS UNION AND THE VOLATILE NATIONAL UNION OF MINERS. BLEAK NEW UNEMPLOYMENT FIGURES, ANNOUNCED YESTERDAY, COUPLED WITH CONTINUED HIGH INFLATION RATES, PROVIDE A GLOOMY BACKDROP FOR THE TUC-GOVERNMENT DIALOGUE. END SUMMARY.

1. THE TUC DELEGATION, IN ADDITION TO TUC GENERAL SECRETARY LEN MURRAY, INCLUDED MOST MEMBERS OF THE TUC'S HIGH-LEVEL ECONOMIC COMMITTEE. THE GOVERNMENT TEAM LED BY HEALEY ALSO INCLUDED ALBERT BOOTH (EMPLOYMENT SECRETARY), ERIC VARLEY (INDUSTRY SECRETARY) AND ROY HATTERSLEY (PRICES AND CONSUMER AFFAIRS SECRETARY). ACCORDING TO MURRAY, WHO SPOKE TO THE PRESS AFTER THE SESSION, THE CHANCELLOR ACCEPTED THE TUC'S INSISTENCE THAT A RIGID PAY POLICY IS NO LONGER FEASIBLE.

2. THE TUC LEADERSHIP, MURRAY ALSO REPORTED, WHILE SEEKING MUCH GREATER FLEXIBILITY IN COLLECTIVE BARGAINING, WISHES TO AVOID THE CATASTROPHIC INFLATION SPIRAL LIMITED OFFICIAL USE

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WHICH CHARACTERIZED THE 1974-1975 PERIOD, WHEN WAGES SOARED BY MORE THAN 30 PERCENT. TO ACHIEVE FLEXIBILITY, THE CONFEREES DISCUSSED (AMONG OTHER THINGS) SUCH DEVICES AS SELF-FINANCED PRODUCTIVITY DEALS WHICH WOULD BE OUTSIDE NORMAL PAY GUIDELINES. TO AVOID A WAGES EXPLOSION, THE TUC LEADERSHIP SAID IT WOULD SEEK A BROADER AGREEMENT BY TUC UNIONS TO KEEP TO THE SO-CALLED TWELVE-MONTH RULE BETWEEN PAY AGREEMENTS. THIS MEANS, IF THE RULE IS ENFORCED, THAT EVEN IF THERE IS NO AGREED THIRD PHASE WAGE LIMIT, THE UNIONS WHICH SETTLED UNDER PHASE TWO COULD NOT CLAIM MORE MONEY BEFORE A YEAR HAS PASSED SINCE THEY RECEIVED THEIR LAST WAGE SETTLEMENT. SIMILARLY UNIONS WHICH HAVEN'T YET ACCEPTED A SECOND PHASE WAGE SETTLEMENT IN THE HOPE THAT THERE WILL BE EITHER A VERY LOOSE PHASE THREE OR NONE AT ALL WILL BE PERSUADED TO DO SO.

3. THE TUC LEADERS WARNED HEALEY AND COMPANY THAT ANY UNDERSTANDING BETWEEN THE TUC AND THE GOVERNMENT MUST INVOLVE GOVERNMENT ACTION TO DEAL WITH THE TWIN EVILS OF HIGH UNEMPLOYMENT AND HIGH PRICES. INFLATION IS CURRENTLY RUNNING AT ABOUT 17.1 PERCENT AND IS EXPECTED TO

REMAIN AT CLOSE TO THAT LEVEL FOR SEVERAL MONTHS BEFORE
BEGINNING TO DECLINE. UNEMPLOYMENT FIGURES ANNOUNCED
YESTERDAY (SEE SEPTTEL) ARE ALSO DISCOURAGING, SINCE
THEY SHOW AN INCREASE OVER THE MAY FIGURES (1.35
MILLION OR ABOUT 5.7 PERCENT OF THE TOTAL ADULT WORK
FORCE, SEASONALLY ADJUSTED -- ABOUT 0.2 PERCENT OVER

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THE MAY FIGURES). THE NUMBER OF SCHOOL LEAVERS ROSE
VERY SHARPLY BY 104,000 OVER LAST MONTH TO 149,000.
THIS INCREASE ACCOUNTS FOR THE MAJORITY OF THE ADDI-
TIONAL 108,000 IN THE UNADJUSTED TOTAL (1.45 MILLION).

4. COMMENT: THESE FIRST TALKS ARE STILL PART OF A
SPARRING CONTEST. NO REAL DECISION IS LIKELY TO TAKE
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SHAPE EVEN IN PRELIMINARY FORM UNTIL AFTER THE TRANSPORT
WORKERS AND THE MINERS MEET IN EARLY JULY. BUT FEW
OBSERVERS EXPECT MORE THAN THE LOOSEST SORT OF WAGE
GUIDELINES TO EMERGE FROM THE GOVERNMENT'S DELIBERA-
TIONS WITH ITS SOCIAL CONTRACT PARTNERS OF THE TUC.
SECRETARY OF STATE FOR EMPLOYMENT ALBERT BOOTH HAS TOLD
US THAT A "LOOSELY STRUCTURED SET OF GUIDELINES WOULD
BE PREFERABLE TO TOTAL FAILURE", SINCE THEY MIGHT AT THE
VERY LEAST PRESENT A PSYCHOLOGICAL BARRIER TO UNION
DEMANDS. IF ALL FAILS, BOOTH INDICATED, THE GOVERNMENT
HAS A SORT OF "CLUB IN THE CLOSET" -- IN THE FORM OF THE
CASH LIMITS SYSTEM WHICH WOULD BE TIGHTLY ENFORCED IN
ORDER TO HOLD DOWN THE RISE IN PUBLIC SECTOR WAGES AND
OFFER THE PRIVATE SECTOR AN EXAMPLE TO FOLLOW. THE
GOVERNMENT IS THUS CLEARLY SEEKING TO BUY "POLITICAL
TIME" EVEN WITH ONLY A LOOSE AGREEMENT IN THE HOPE THAT
THE ECONOMIC PICTURE WILL IMPROVE BEFORE IT GOES TO THE
POLLS AGAIN.

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: UNION GOVERNMENT RELATIONS, WAGES, MEETINGS, LABOR AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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